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EXCERPTS FROM REPORTS ISSUED BY
THE JOINT LEGISLATIVE AUDIT COMMITTEE

1960 WINTER OLYMPICS
SQUAW VALLEY

Joint Legislative Audit Committee

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California Legislature

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The Honorable President of the Senate
The Honorable Speaker of the Assembly
The Honorable Members of the Senate and
The Assembly of the Legislature of California

Sirs:

Transmitted herewith is a report summarizing significant findings concerning Squaw Valley and the 1960 Winter Olympics. Since the electorate of Colorado rejected using public funds to finance the 1976 Winter Olympics, the Joint Legislative Audit Committee has had several inquiries about the financing and operation of the 1960 Winter Olympics.

The recorded cost of the 1960 Olympics was over \$16 million. Funds were provided from the following sources:

	<u>Amount</u>	<u>Percent</u>
State of California	\$ 9,178,000	57.0
U.S. Government	3,500,000	22.0
State of Nevada	363,000	2.0
Admissions	2,026,000	12.5
Private and business contributions	275,000	2.0
Television, parking, program sales, salvage, etc.	723,000	4.5
	<u>\$16,065,000</u>	<u>100.0</u>

In addition to the above, the Armed Forces loaned manpower and equipment and several state agencies provided services without reimbursement.

Construction and purchase of facilities accounted for \$10.3 million of the cost and \$5.8 million was used for the administration and staging of the games.

Members of the Legislature -2-

The State appropriated funds to the Olympic Commission, a State agency, who reimbursed the Organizing Committee, a non-profit corporation for staging the games. Budget estimates of revenues and expenditures were not accurate and budgetary control over operations virtually nonexistent. The International Olympic Commission and various sports federations changed plans on short notice which caused unnecessary expenditures. Controls over revenues from ticket sales, parking, ski lifts, programs were not effective. Housing was purchased and not used.

When appropriations from the State Beach and Park Fund reached \$8 million in 1957 the Legislature specified that all property and facilities be turned over to the State Park System soon after the close of the games. The State Park System ended up with some \$188,000 of unpaid bills and claims along with facilities which were stripped of leased furnishings and equipment. Long-term concession agreements were negotiated with the Squaw Valley Development Company (Alex Cushing and others) and Squaw Valley Improvement Corporation (Newsome and Pelosi). The concessionaires have invested millions in Squaw Valley since 1960. The recovery of these investments through depreciation charges has limited the revenues payable to the State. Since 1960 it has cost the State \$3 million more than it has earned on the leases.

In order to hold the Olympics at Squaw Valley in 1976 or later years, existing facilities would have to be leased from the concessionaires. An outdoor speed skating rink, three or more practice rinks for hockey and skating would be needed since these facilities have been demolished. The administration, press, official and timers' buildings and spectator facilities would have to be constructed again as these were temporary buildings or have been put to other use since 1960. Ski courses and jumps would have to be reconstructed.

Under Chapter 1377, Statutes of 1971 which was effective in March 1972, the operation and maintenance of the park has been assigned to the Department of General Services. A general fund appropriation of \$275,000 is available in 1972-73 to cover the net loss for that year. The Department of General Services is attempting to reduce the State's operating costs in order to improve on the salability of the State's interests. Previous attempts to sell the property have not been successful.

Respectfully submitted,

Vincent Thomas

VINCENT THOMAS, Chairman
Joint Legislative Audit Committee

EXCERPTS FROM REPORTS ISSUED BY
THE JOINT LEGISLATIVE AUDIT COMMITTEE
1960 WINTER OLYMPICS
SQUAW VALLEY

The comments which follow summarize significant findings contained in reports issued on the 1960 Winter Olympics. Nine reports were issued by the Joint Legislative Audit Committee between November 1958 and March 1962. Reports were also issued by the Senate Committee on Natural Resources and the Department of Finance.

HISTORY AND ORGANIZATION

Chapter 124, Statutes of 1955, created the California Olympic Commission, consisting of five members appointed by the Governor, to represent the State of California in carrying out the purposes of the act, which are to provide funds for use in connection with holding and staging the olympic winter games in California in 1960, to provide facilities for the games, and to encourage and assist participation by persons from all parts of the world. The act also appropriated to the commission out of any money in the State Park Fund (replaced in 1957 by the State Beach and Park Fund) \$1 million to be expended without regard to fiscal years by the commission to carry out the purposes of the act in connection with the olympic winter games of 1960.

Item 413 of Section 2 of the Budget Act of 1956 appropriated to the California Olympic Commission \$4 million to be expended in accordance with the provisions of Chapter 124, Statutes of

1955, payable from the State Beach and Park Fund. This amount was made available for expenditure without regard to fiscal years, provided that there would be no expenditure without a contract approved by the Department of Finance. This contract was to specify that the California Olympic Commission and any agency or organization designated to stage the games was to agree that the net revenues from all sources, including but not limited to the sale of television and radio rights, concessions, and admission receipts over and above operating expenses and other obligations, were to be paid to the State for deposit in the State Park Fund.

Chapter 1069, Statutes of 1957, provided that many of the facilities to be constructed by the State at Squaw Valley were to be permanent in nature, with the intention that after the games the site would become a part of the state park system. Such control and possession as the commission had of all real and personal property and facilities and improvements acquired or constructed by the commission pursuant to the act were to be transferred as soon as practicable after completion of the 1960 olympic winter games, but in no event later than June 30, 1960, to the Division of Beaches and Parks of the Department of Natural Resources of the State of California, for inclusion in the state park system. The act appropriated an additional \$2,990,000 to the California Olympic Commission out of the State Park Fund to be expended without regard to fiscal years.

On June 20, 1957, the California Olympic Commission entered into a contract with the Organizing Committee, VIII Olympic Winter Games, Squaw Valley, California, U.S.A., 1960, Incorporated,

(a nonprofit corporation) known as the "Master Agreement", which provided for the basic responsibilities of the commission and the Organizing Committee and the services provided by each body in connection with the olympic winter games. Under the terms of the agreement, the commission was to compensate the Organizing Committee for its services on the basis of an estimated budget prepared by that committee and approved by the commission. The agreement also provided for the collection of olympic facility revenues and their ultimate disposition. The Organizing Committee was formed for the purpose of conducting, managing, supervising, and assuming responsibility for the holding and staging of the olympic winter games and all related activities to be held in the State of California in 1960 in accordance with the rules of the International Olympic Committee. Chapter 1, Statutes of 1960 First Extraordinary Session, appropriated, in augmentation of the emergency fund created by Item 278 of the Budget Act of 1959, the sum of \$1 million, or so much thereof as might be necessary, provided that the funds thus appropriated should be available solely for the purpose of meeting contingencies for which an insufficient appropriation had been made in connection with staging the 1960 winter olympic games.

The 1961 Session of the Legislature abolished the California Olympic Commission as of June 30, 1962, and allowed the Division of Beaches and Parks and the Board of Control to use amounts appropriated to them for the payment of unpaid bills of the California Olympic Commission and the Organizing Committee.

ADDITIONAL FUNDS NEEDED

As of October 31, 1960 it was estimated that \$188,128 in additional funds were needed to pay all unpaid bills and claims against the commission and the committee. The estimated amounts needed were \$106,443 for the California Olympic Commission and \$81,685 for the Organizing Committee.

Even though the State had no legal obligation to pay the unpaid bills of the Organizing Committee, most persons familiar with the olympic situation were of the opinion that a moral obligation existed since the State was the principal financial supporter of the games. The 1961 Legislature authorized the Department of Natural Resources and the Board of Control to use their appropriations to settle some of the unpaid items. Amounts due to state agencies were paid in reduced amounts or not paid at all.

SOURCES AND USES OF FUNDS

Following is a summary of the sources and uses of funds obtained by combining the financial statements of the California Olympic Commission and the Organizing Committee:

Sources of Funds:

State of California	\$ 9,178,000
U. S. Government	3,500,000
State of Nevada	363,000
Private and business contributions	275,000
Admissions	2,026,000
Television, parking, program sales, salvage, and other	723,000
Total	<u>\$16,065,000</u>

Uses of Funds:

Land, leases and easements	\$ 147,000
Construction and purchase of facilities and structures	10,124,000
Administration, planning and staging of games	<u>5,794,000</u>
Total	\$16,065,000

PAYMENTS TO ORGANIZING COMMITTEE IN
EXCESS OF AMOUNT AUTHORIZED

Chapter 1, 1960 First Extraordinary Session, appropriated \$1 million to the Emergency Fund to meet contingencies concerning the financing of the 1960 winter olympics. Certain restrictions were placed upon the use of this money, which was placed under the control of the Department of Finance. The Department of Finance loaned the \$1 million to the Olympic Commission which, in turn, made payments to the Organizing Committee for expenses incurred in staging the games.

The lack of budgetary control and incompleteness of the accounting records of the Organizing Committee precluded the Department of Finance and the Olympic Commission from exercising strict control over the expenditure of the \$1 million in accordance with the intent of the Legislature. Auditors from the Department of Finance and the Office of the Auditor General were of the opinion that \$291,903 was spent in excess of the amounts authorized.

It was established that the budgets submitted to the Legislature were not realistic and even excluded substantial items which were already contracted for prior to the period covered by the budget.

There was a complete lack of budgetary control on the part of the Organizing Committee because of deficiencies in administration which resulted in the failure to record budget allotments and obligations promptly if at all. During the games which was the period covered by the emergency funding under Chapter 1, strict budgetary control was mandated. As of February 20, 1960 more than \$800,000 of expenditures and commitments were not recorded in budget accounts. The Olympic Commission maintained satisfactory accounting and budgetary records but made errors in the presentation of its budget amounting to \$223,664 and spent an additional \$31,081 in excess of its budget.

INTERNAL CONTROL DEFICIENCIES

The Department of Finance issued a letter describing deficiencies involving control over ticket sales, admissions, parking revenues, program sales, and other matters. These deficiencies were reported by Department of Finance auditors who were working with the Auditor General's auditors in the joint audit of the olympics called for in Chapter 1, 1960 First Extraordinary Session. The letter appears in full as Appendix 6 of an Auditor General's report dated December 30, 1960.

The deficiencies described in the letter were the result of inadequate control and a lack of coordination between the various functions and activities of the Organizing Committee and the Olympic Commission. It would be impossible to determine how much revenue was lost and even difficult to make the roughest estimate.

The executive staff of the Organizing Committee is primarily responsible for these losses. The accounting function normally is responsible for establishing controls over sources of revenues which would assure them that all revenues to which they are entitled are received and recorded properly. The ticket division, parking, traffic control, and other operating divisions should have been made aware of the need for accountability and control. Many of the problems should have been anticipated and plans made in advance for handling them. Key personnel were on the payroll and at Squaw Valley many months before the games started; therefore, they had ample time to make the necessary plans.

Some specific deficiencies were as follows:

No inventory control over tickets for parking, admissions and ski lift.

Ticket selling booths and gates were not adequately staffed.

Receipts were stolen by persons who allegedly were getting change for the ticket sellers.

Chartered buses were allowed to discharge their passengers inside admission gates without paying the \$7.50 admission for each passenger.

Hotel and motel rooms contracted and paid for by the Organizing Committee for staff and officials were not used.

MISSING FURNITURE AND EQUIPMENT

An inventory of furniture, equipment, and supplies was taken during the months of March, April, and May 1960, by representatives of the Organizing Committee, the Department of Finance, and the Department of Natural Resources.

Our comparison of the final inventory listings with details of items purchased disclosed that many of the items purchased were not included in the inventories. Items not accounted for amounted to \$24,000 and \$11,000 of furniture and equipment purchases of the Organizing Committee and the Olympic Commission, respectively.

We gave copies of our lists of missing items to representatives of the Organizing Committee and the Olympic Commission in December 1960. The Organizing Committee notified its insurer in January 1961 that a possible loss existed for which claims would be filed as soon as the list of missing items was checked out.

As of January 31, 1962, no claims had been filed with the insurer for the items reported as missing. Apparently no one checked out the lists of missing equipment sufficiently to file a claim. We made inquiries in November 1961 as to what was being done to follow up on the missing items. Early in January 1962, the Director of the Department of Finance assigned members of his staff to the task of checking into the missing equipment and recovering whatever possible from the insurers.

The department has located some of the items and has determined that some of the items listed represented payments to others

for equipment which was rented or loaned to the Organizing Committee which was damaged, lost, stolen, or otherwise missing.

COST OF OPERATING SQUAW VALLEY STATE PARK

During the first 21 months of operating the facilities at Squaw Valley as a State park, it cost California a total of \$1,036,276 compared with revenues of only \$133,372 for a net cost of \$902,904. The detailed statement below was presented to the Joint Legislative Audit Committee by the Office of the Auditor General during the hearing of February 14, 1962 and shows that the State was spending far more on maintaining the park and its facilities than it receives from the concessionaires who have been contracted to operate the facilities.

In the 21-month period - April 1, 1960 to December 31, 1961 - the excess of combined expenditures over revenues at Squaw Valley cost the State \$902,904, at the same time, citizens using State-subsidized facilities - which are actually controlled by private concessionaires - pay the same prices as those using private resorts.

Park operations:

Revenues earned		\$133,372
Expenditures:		
Salaries and wages	\$320,130	
Operating expenses	297,010	
Equipment	<u>24,631</u>	<u>641,771</u>
Excess of expenditures over revenues		508,399

New construction and improvements:

Construction:		
Employee housing	90,072	
Parking area	49,331	
Improvements:		
Alterations to utilities	67,063	
Minor projects	<u>100,544</u>	
Total		307,010

Payment of obligations of the
California Olympic Commission
and/or the Olympic Organizing
Committee:

Architects' fees	27,911	
Cateteria equipment	17,084	
Meadow restoration and damages claimed	<u>42,500</u>	
Total		87,495

Excess of combined expenditures over revenues	<u>\$902,904</u>
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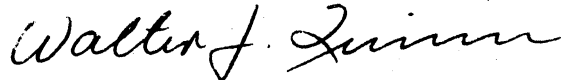
The State does not operate any of the income-producing facilities; these are all leased to concessionaires. Yet its expenditures on park operation include: park supervision, public relations, maintenance of exterior of buildings and grounds, utilities, fire protection and avalanche control. Included in utilities is the heating of all buildings, hot water, water, sewage, and the refrigeration of the ice rinks. The State also supplies employees to run much of the equipment.

In addition to the \$902,904 loss at December 31, 1961, about \$250,000 per year has been lost on operating the park since then for a total of over \$3 million.

Under Chapter 1377, Statutes of 1971 which was effective in March 1972, the operation and maintenance of the park has been assigned to the Department of General Services. A general fund appropriation of \$275,000 is available in 1972-73 to cover the net loss for that year.

The Department of General Services is attempting to reduce the State's operating costs in order to improve on the salability of the State's interests. Previous attempts to sell the property have not been successful.

Respectfully submitted,

A handwritten signature in cursive script, reading "Walter J. Quinn".

WALTER J. QUINN
Coordinator